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News & Analysis

Wanted: better performance data

By **Jordan Stutts** - 31 January 2018A⁻ A⁺ 100%

A majority of infrastructure investors agree that standardised performance data is needed to better judge returns, according to research from EDHECInfra, but they differ on how that information should be organised.

The French business school collected responses from over 200 asset owners, managers and investors, which together represent more than 10 percent of global AUM – around \$10 trillion – and found that three-quarters said they would use an infrastructure benchmark to judge performance.

“The need to identify and measure the characteristics of the infrastructure asset class has been acknowledged for several years,” the EDHECInfra study stated. “Categorising performance information around fundamental economic and financial mechanisms [...] is more likely to lead to indices and benchmarks that are indeed relevant to investors.”

EDHECInfra found that 90 percent of respondents said it was relevant to segment unlisted infrastructure investments by business model, divided by contracted, merchant and regulated assets. Respondents were split over whether they would prefer project finance focused benchmarks (37 percent) or indices featuring infrastructure projects and infrastructure corporates (42 percent). Only 20 percent said they would prefer an infrastructure corporates-only index.

Respondents were split between whether broad or specific sector indices would be more useful. However, large asset owners seeking exposure across multiple sectors were more in favor of broadly defined indices.

When it came to infrastructure debt, 95 percent of those surveyed wanted benchmarks that segmented it by credit risk and maturity, “highlighting the need to integrate private infrastructure debt in broader fixed income strategies”.

As a recommendation to infrastructure investors, EDHECInfra created a reference set of indices for the global infrastructure asset class. Divided by equity and debt, the categories cover advanced and emerging markets, unlisted assets, project finance and private debt.

“In the future, these indices can be used to monitor performance, which the majority of survey respondents considered to be the most immediate reason for having benchmarks, as well as defining asset allocations and creating new investment products.”

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